



**The Need for a Growth Strategy Led by**

**High-Tech Venture Business**

**— Reducing commercialization risk is the key to success —**

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## **Overview**

In recent years, growth strategies based on innovation have been gathering momentum among the developed nations. In October 2006, the US National Science Foundation published a strategic plan for fiscal 2006-2011, with the title "Investing in America's Future". In December, the EU published a Strategy for Science, Technology and Innovation 2006-2013. In Japan, too, a number of measures have taken shape, including the launch of the 3<sup>rd</sup> Science & Technology Basic Plan, covering the period fiscal 2006-2010, in April 2006, and the decision to extend the operation of the "angel tax system" for 2 years, in December. However, a survey of nations that have adopted innovation-based growth strategies reveals that although Japan's major manufacturers are among the world's most competitive and are securing large numbers of patents, the level of activity among its venture business is still low in comparison to that seen in other developed nations.

A survey of the trends of employee numbers, sales and wages between 2000 and 2003 in the United States, where venture businesses are highly active, reveals that while the number of people employed in sectors other than agriculture and forestry fell by 1.79 million overall, the number of people employed by venture businesses actually rose by 600,000, slowing the deterioration in employment conditions. While sales increased by 6.5% across all sectors, the sales of venture businesses saw rapid growth of 11.6%. The increase centered on biotechnology, software and other high-tech industries. Likewise, wages rose by 11% across all sectors, but saw higher than average growth in high-tech industries, achieving 18% in the biotechnology industry, 16% in the semiconductor industry and 14% in the software industry. Venture businesses play an important role in creating attractive employment opportunities, through the emergence of high value-added industries, and enhancing growth potential and competitiveness. This tendency can be seen in most of the major developed nations.

By definition, venture businesses, whether in Japan or overseas, generally have no significant track record, lack in-house resources, and have yet to establish a firm business model. However, in many countries, venture businesses have come to play a particular role, gained trust and established themselves as major players, leading

economic growth. The key lies in the provision of generous support at every stage, from research & development through to the commercialization process, under a rigorous system of examination and assessment by experts that eliminates all discretion and arbitrary intervention on the part of the government and is also applicable to venture businesses. This reduces the risk of commercialization, encourages the participation of the private sector and increases the scope for venture business activity. Of the various initiatives adopted, Japan should learn from three in particular.

#### Support of research & development

Many governments, actively invest in R&D, and are increasing their direct funding of corporate R&D activities. In a climate of intensifying global competition, with the corporate sector increasingly pursuing a policy of business reform based on selection and concentration, and outsourcing its basic research work, governments are playing a significantly increased role in promoting the pursuit of innovation-based growth strategies. Japan goes against this trend.

#### Support for commercialization

The SBIR, a representative support program for commercialization operated in the United States, has increased participation in government department R&D projects by integrating projects and simplifying administrative procedures. Projects are commissioned to promising entities and those that clear the examination process are considered for government procurement without going through the ordinary competitive tender process. With an eye to the economic benefits of government procurement, the EU, too, is creating a new framework for government procurement.

#### Use of overseas resources

With a view to enhancing the driving power of innovation-led growth strategies, the number of initiatives geared to attracting and making active use of high-quality foreign workers and foreign capital is growing. In recent years, a growing number of companies have recruiting promising foreign students, with a view to securing high-quality human resources. Against this background, Japan has been a little slow to take action.

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